

The Podkarpacie Region in structures of European Union

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Abstract

The aim of the present publication is a description of the Podkarpacie region concerning conditions connected with the implementation of the regional EU policy. The study comprises the evaluation of social and economic development condition of Podkarpacie province in comparison with other regions of the European Community, as well as the specified chances of of region development based on funds from the UE budget.

Key words: EU regional policy, structural funds, province government, innovation, competitiveness

1. Podkarpacie profile

The Podkarpacie province is one of the most beautiful but also one the poorest regions of the EU. In connection with this fact, the main task for the local institutions responsible for implementation of local policy rules is full absorption of funds from the EU budget which are the sources of co-financing of infrastructure projects. A small amount of big companies and low potential of smaller subjects are the main factors influencing the weak economic position of the province in comparison with the other regions. Enterprise development in the region is the main priority stated in the 'Podkarpacie Province Development Strategies for 2004 – 2013' supported by EU funds. Primarily social and technical infrastructure need to be subsidized, as they are inducement for development of already existing companies and for creating new enterprise potential in the Podkarpacie province [1].

The Podkarpacie province belongs to the ecologically cleanest regions in Poland, approximately 45% of the surface are legally protected. This voivodship is the south-easternest region of Poland. It borders on Slovakia and Ukraine and neighbours on the following voivodships: Lesser Poland, Świętokrzyskie and Lublin Voivodship. The pan-European transportation corridor is situated here, as well as an international airport. Over 2 millions inhabitants live on a relatively small area (17 844.000 square kilometres. i.e. 5,7% of the country's surface). The Podkarpacie province is the least urbanized area in the country. i.e. approx. 40% of the population live in the cities. The GDP value per inhabitant is below national average (it amounts to approx. 70% of the average value in Poland). The share of market services in creating of gross value added is low and amounts to 44%. The share of agriculture in GDP is below the national average. It is mainly due to small farms and low managing efficiency. Agricultural production potential creates good conditions for the development of labour-intensive industry, therein healthy food and food processing industry. The centre of Polish air industry, Air Valley, is situated in the Podkarpacie province.

The strengths of the province:

- one of the least polluted regions in Poland
- unique natural values (national parks and nature reserves)
- unique objects of material culture heritage
- traditional cultural frontier, maintaining culture (Łemkowie community)
- natura resources
- relatively young society, increased level of population education
- air industry centre, air school

The distance of Podkarpacie to the best regions in Poland and Europe is broadening. Thus it is necessary to counteract these tendencies, there is the need to ‘escape forward’, which is stated in the vision of Enterprise Development included in the Province Strategy [2].

The Podkarpacie voivodship is a heterogenous area, internally highly diverse. That is why the development policy conducted by the province government should consider how to actuate mainly enterprises which could lessen the distance to better developed regions. The province government should create a development model aiming at diminishing the great diversity among the regions. An interregional policy, determining the character of the province, should support three processes being the essence of the development vision of Podkarpacie: enterprise development, increasing the competitiveness and counteracting the marginalization of this economic region of Poland and Europe [3].

An important factor in developing the Podkarpacie region is its border location, particularly essential during enlargement of the European Union. The location of the Podkarpacie province has an essential meaning for economic, social and cultural cooperation with the neighbouring countries. The southern border with the Republic of Slovakia and the eastern with Ukraine has an influence on the development direction of transboundary cooperation. Friendly Polish-Slovakian and Polish-Ukrainian relationships on an international scale create good conditions for implementation and accomplishing of a balanced (coherent) cooperation among the neighbouring border regions. The stimulating factor for transboundary cooperation among Poland, Slovakia and Ukraine is the will of the local governments on both sides of the border to tighten, preserve and establish new contacts. An essential factor influencing the international cooperation of the Podkarpacie province is the fact that this voivodship constitutes the outer border of the member states of NATO and since 1 May 2004 also the eastern border of the European Union. The location of the Podkarpacie province has a strategical meaning not only for the region itself but also for the whole Poland and the neighbouring countries, especially Ukraine. What is more, the convenient communication location taking into account designed routes of Trans-European transport corridors (the motorway A4 and planned Via Baltica) and the direct neighbourhood with the Ukraine and Slovakia cause that the Podkarpacie province has the possibility to intensify its development through using the position of ‘an open gate’ to the Eastern Europe.

The crucial meaning for the Podkarpacie province has the neighbourhood to Ukraine aspiring to cooperation with the European Union. Currently, the main form of the cooperation of the Podkarpacie province and Ukraine is the commercial exchange. Some institutional frames for cooperation with Ukraine has been created within the last few years. They are more and more often used through economic missions and business meetings. The Podkarpacie province cooperates with Lviv, Zakarpacie, Iwano-Frankowie, Wołyń and Odessa districts on the basis of concluded agreements.

An essential element of international cooperation is the economic cooperation of the leading companies from the Podkarpacie province with the countries from the European Union and the whole world. The participation of the Podkarpacie voivodship in the export and import of Poland is inconsiderable and gives it one of the last places in the country. It shows the weak involvement of the local enterprises in international trade and explains at least partly its high dynamics (the first place among the voivodships and a slight, active turnover balance).

2. EU regional policy as a chance for development of the Podkarpacie province

The Podkarpacie region gained after joining the EU a big chance to benefit from the instruments for EU structural policy. The funds are particularly aimed at these sectors of the economy and these regions which are not able to catch up with the average economic level of the EU without financial support. Particularly important are the implementation of the concepts of the structural policy and full absorption of appropriations by the Podkarpacie voivodship as the less developed region – as it should solve the main economic problems of the region. The base for committing appropriations from the structural funds are the statistics published by Eurostat, the so called wealth measures for particular EU regions, specified by GDP income on an inhabitant lower than 75% of the union average. The majority of Polish voivodships belong to the poorest EU regions. The national income amounts to one third of the average of the 25 countries. Five Polish voivodships: Lublin, *Podkarpacie*, Warmian-Masurian, Podlachian and Świętokrzyskie – *are the poorest regions of the EU*.

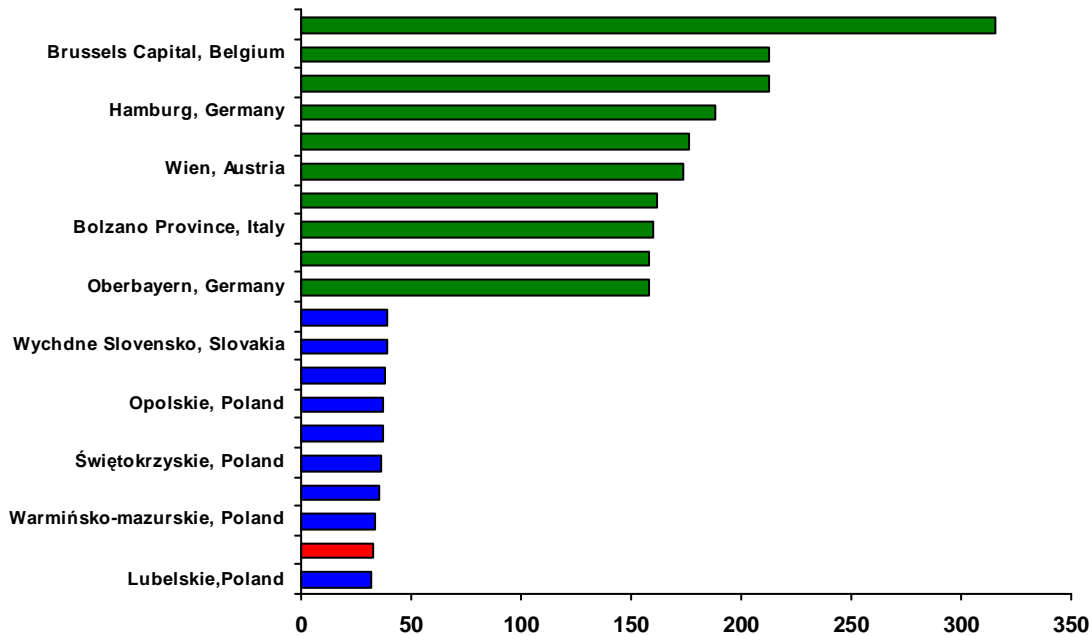
The Podkarpacie voivodship as one of the 254 EU regions is less developed in comparison with the other EU regions, as far as the income level and living conditions are concerned. The inhabitant of the Podkarpacie province produces on average 33% of GDP of the average EU inhabitant. For example 315% of the average national income in the “25 countries” fall on a Londoner. The approx. tenfold difference in the GDP value shows the difference in the level of economy development of regions in our country in comparison to the EU member states. Diagram 1 shows the data.

The Podkarpacie province is situated in the area of the ‘eastern wall’ and it belongs to the peripheral problematic regions of the country due to specific characteristic for this region, such as: low urbanization level, weakly developed towns and cities network, high rate of unemployment, small farms on small areas, unfavourable economic structure, low technical infrastructure level, especially transport level, and low Gross Domestic Product *per capita*. At the same time the region presents real chances of growth in the scope of: utilization of natural forest and water resources as well as legally protected areas for dissemination of landscape tourism, rich potential of high qualified staff, air industry with the possibility of using the newest production technology, very good geopolitical location on Baltic-Blacksea bridge enabling effective infrastructure development with transport corridors with cross boundary meaning, resilient development of the airport aiming at international connections and the growth of the academic centre in Rzeszów.

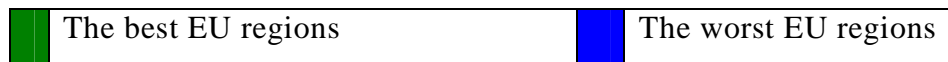
The statistical and analytical data referring to the allocation of EU appropriations in the Podkarpacie province indicate that the sum of altogether approx. 1,7 milliards PLN (diagram 1) will be spent on the implementation of the European Integrity Policy in the years 2004 – 2006. The sum is comparable with the planned appropriations limits for the Podkarpacie province in the years 2007 – 2013 within the Regional Operational Program and the Operational Program for the Development of Eastern Poland (altogether planned approx. 1.596 mln euro from the EU appropriations) [4]. This sum,

in relation to the average budget income of the Podkarpace Voivodship in a year, amounting to 322 millions PLN, is an essential source of co-financing the regional policy of Podkarpace. [5].

Diagram 1. The best and the worst EU regions in % GDP in 2005.



Source: UE regions – Podkarpace province. Ministry of Development



It has been established on the basis of empirical materials and a questionnaire survey that the main problems of the receiving party from the Podkarpace region connected with the usage of the appropriations from EU budget are the following:

- *technical* referring mainly to preparing project documentation according to the valid mechanism and procedures for particular operational programs implemented within 2004 – 2006,
- *functional* referring to implementation of operational programs in the required form for implementation of structural funds appropriations. These tasks require clear network of flow of financial resources, reporting, as well as effects monitoring of usage of the appropriations from EU budget,
- *financial* connected with fulfilling the requirements of co-financing by the Polish party from 25% to 30% of the value of a particular project,
- *structural* – these programmes require clear competency division between the territorial government, especially the one from the province, and the government of the Republic of Poland

Table 1. The sum of EU appropriations within the established ZPORR limits for the Podkarpacie province and the projects approved for financing within the remaining programs.

Lp.	Program name	Planning of EU appropriations for the Podkarpacie province based on regionalized allocations or projects approved for financing (in PLN)		
		state for 31.12.2004r.	state for 31.12.2005r.	state for 31.12.2006r.
1.	Integrated Operational Program for Regional Development	786 098 838	759 342 278*	765 454 546*
2.	SPO - Human Resources Development	26 612 535	70 536 263	123 642 712
3.	SPO - Increase of Enterprise Competitiveness	37 290 195	157 531 390	192 663 435
4.	SPO - Transport	42 873 750	43 078 407	44 319 945
5.	SPO - Restructuring and modernisation of food sector and development of rural areas	174 617 728	213 964 370**	218 736 135**
6.	SPO - Fishery and fish processing industry	-	229 200	486 727
7.	Community Initiative - INTERREG	1 932 903	31 678 639***	50 890 065***
8.	Community Initiative - EQUAL	34 458 024	34 458 024	34 458 024
9.	Cohesion Fund	57 690 000	216 590 000	216 590 000
10.	Schengen Fund	11 250 000	13 725 000	24 430 500
11.	Norwegian Financial Mechanizm and EOG Financial Mechanizm	0	0	34 635 058****
		1 172 823 973	1 531 322 141	1 706 307 147

Source: Personal elaboration based on data from Implementation Institutions

* Allocation changes resulted from usage of different rates

** „Regional envelope” and projects approved for subsidisation

*** The value of projects with approved subsidisation

**** The value of projects from the basic lists recommended by Control Committees

There are many niches in the Podkarpacie province which can become centres and regions of social-economic growth, as a result of activation of endogenous and exogenous forces. Nowadays, the regional development is regulated mainly by market mechanisms, in the aftermath of which growth and development centres come into being or stagnation areas become clear [6].

The leading role in the dynamic development of the Podkarpacie region play economic entities, and particularly well prospering enterprises on a domestic and external market. The necessity to reach the competitive advantage and increasing the innovation of the companies was specified in ‘Strategies of Podkarpacie development’ as the main factor for social-economic growth of the region. The local innovative strategies are believed to be the most important document for the regional development programming. The innovative strategies constitute the basis for general strategies of regions development which contain all aspects of continuing development. These issues were formulated in the Podkarpacie voivodship in the Development Strategy for the Podkarpacie Province for years 2007 – 2020, and the aim is increasing the national and international competitiveness of the region economy through the rise of innovation, and at the same time effectiveness, which creates the conditions for balancing the labour market as well as rise in incomes and quality of life. Key factors deciding about the competitiveness of regional economy are: high enterprise innovation and effective usage of knowledge industry and scientific research by the sector.

Good use of structural funds and putting into practice of economic-legal instruments lowering the costs and the risk of innovative enterprise are essential for implementation of the main assumptions of the Lissabon Strategy, and especially for innovation development in Polish regions.

3 Summary

Polish regions, especially the Podkarpacie voivodship, are in comparison with the other regions of European Union assessed (on account of the level of innovation correlated with the level of economic growth) as underdeveloped and being out of its depth. The chance for stopping the growing disproportions and close up of the quality of intellectual potential and innovation of our regions to the average level in EU is creating of regional innovation systems and implementation of the assumptions adopted in the regional innovation strategies.

The success in implementation of both undertakings depends to a high degree on the attitudes of local and regional communities, their openness, innovation, priorities and responsibility in the policy of local governments, as well as the ability to co-operate of regional and central authorities.

The survey results confirmed that the Podkarpacie Voivodship has an inner potential and strengths enabling stimulating new development impulses to the increase of economic activity and the rise in quality of life of the inhabitants. The conducted analysis of the diagnosis of the situation has revealed *many structural barriers hindering the process of economic growth of Podkarpacie voivodship*. An essential barrier in the region development is the low educational level of the population and the educational potential. Taking into account existing academies, therein private colleges, there is the possibility of accelerated making up for it.

Gaps in the communication infrastructure, telecommunication as well as environment protection infrastructure are the reason for relatively low competitiveness of the voivodship in comparison with the regions with the similar social-economic profile. They are also the source of natural dangers such as permanently recurrent floods and water contamination resulting from disordered water-sewage economy. The difficulties on a labour market result simultaneously from the hidden unemployment in rural areas, small, individual farms and slow pace of restructuring of big economic entities and public services. There is the lack of clear progress in restructuring of economic base of rural areas and small towns. It is weakly developed, like the sector of small and medium enterprises. It is influenced by the difficulties with gaining national and international capital for the development of new economic activities. An undoubted barrier is the low level of urbanization of the voivodship.

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